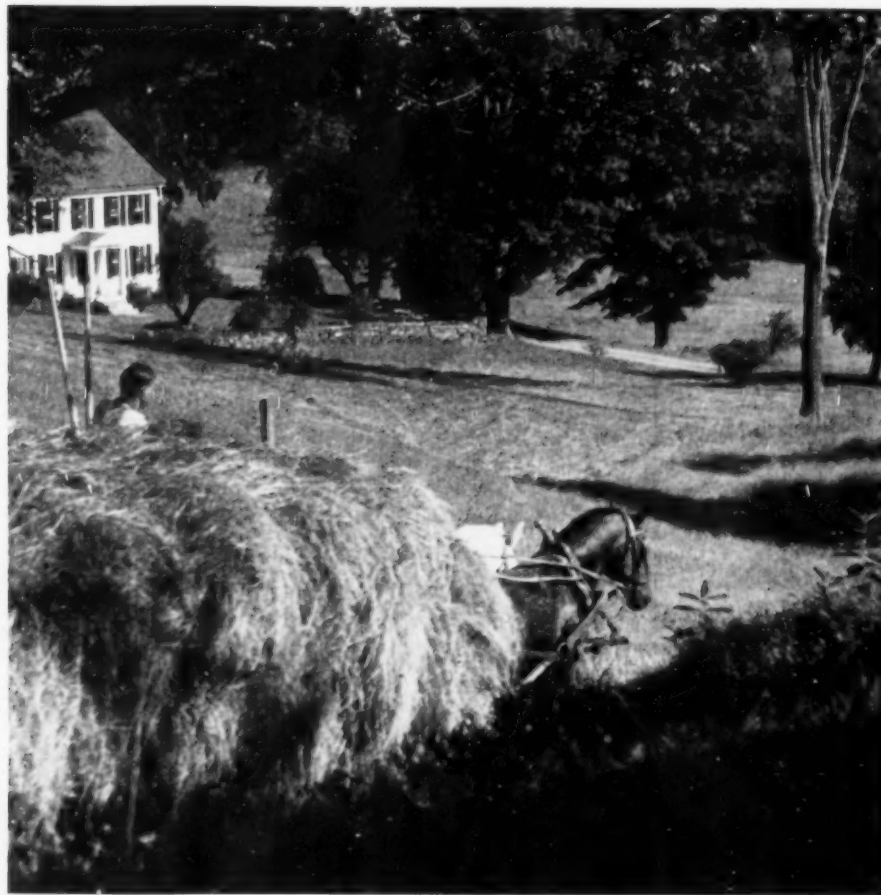


THE BRIDGE



The Way To Economic Betterment

August



1941

Credit Unions Must File Report On Aliens

See page 180

Official Publication of
THE CREDIT UNION NATIONAL ASSOCIATION

THE BRIDGE

THE WAY TO ECONOMIC BETTERMENT

Volume 6

AUGUST, 1941

Number 16

CUNA

Executive Committee:
WILLIAM REID, President.....New York City
DR. A. G. WEIDLER, Treasurer.....Berea, Kentucky
HAROLD H. SCHROEDER, Secretary.....Akron, Ohio

Vice Presidents:

JOHN SUOMINEN (Northeastern) Fitchburg, Mass.
CHAS. W. McKEEVER (Eastern) Penns Grove, N.J.
HENRY CLAYWELL (Southern) Tampa, Fla.
AL. F. SHEELEY (Central) Milwaukee, Wis.
L. A. PINKNEY (Midwestern) Kansas City, Mo.
KARL S. LITTLE (Western) Salt Lake City, Utah

Staff:

ROY F. BERGENGREN, Man. Dir.....Madison, Wis.
THOS. W. DOIG, Asst. Man. Dir.....Madison, Wis.
CHAS. G. HYLAND, Comptroller.....Madison, Wis.
J. ORRIN SHIPE, Editor & Ed. Dir.....Madison, Wis.
RICHARD GILES, Associate Editor.....Madison, Wis.

Contents

	Page
I Learned About Credit Unions, By Val Weigel.....	171
Twenty-seven Members and \$40,000 of Loans, By Fred A. Beard.....	172
Reserves: Their Function and Utilization, By Rudolph F. Stahl.....	173
A Dollar a Day and Open Air, By Richard Giles.....	176
Filene Pictures Go Fast, By Claude E. Clarke.....	177
Group Health Plans for Low-Cost Medical Care, By W. L. Kingsley Roberts.....	178
What About It? By Thomas W. Doig.....	180
A Cruise to the Southernmost Credit Union, By Harold Schroeder.....	182
Real Help to Borrowers, By James W. Brown.....	185
CUNA in the Field, By C. F. Eickle, Jr.....	186
Federal Section, By Howard Mace.....	188



ADVERTISING RATES ON APPLICATION

All subscriptions received before the fifth of the month start automatically with the issue of the current month; all those received after the fifth of the month start with the following month. To insure prompt delivery of The BRIDGE, when you change your residence, please send in a post card with your former address as well as your new address. When sending in a single subscription or a group of subscriptions, The BRIDGE would appreciate it if you would mark all renewal subscriptions conspicuously with the word "Renewal."

The BRIDGE is published monthly by the CREDIT UNION NATIONAL ASSOCIATION at 404 N. Wesley Ave., Mount Morris, Illinois. Editorial offices are located at Raiffeisen House, Madison, Wis. J. E. West, Advertising Manager, 360 N. Michigan Ave., Chicago, Ill. Communications having to do with subscriptions, should be addressed to 404 N. Wesley Ave., Mount Morris, Illinois, or to The BRIDGE, Raiffeisen House, Madison, Wisconsin. Entered as second-class matter Feb. 12, 1941, at the post office at Mount Morris, Illinois, under the Act of Mar. 3, 1879. Copyright 1941 by CREDIT UNION NATIONAL ASSOCIATION. Subscription rates, single copies, 10c; yearly subscriptions \$1.00.

Dim Light in August

● August is an anniversary month for credit unions. On August 10, 1934, the constitution of the Credit Union National Association was signed. The framework was erected on which we have been building ever since.

Let us celebrate, then, another year of progress: the 1,045 credit unions organized since August 1 last year. Let us celebrate the value to human life that these new credit unions represent . . . the men and women rescued from desperate circumstances . . . the families enabled to stay together . . . the children who have been better cared for . . . the wrecks that have been averted and the sense of accomplishment that has come to so many.

Meanwhile, what was a year of progress for credit unions was a year of destruction for a great part of the world. Since August 1 last year, thousands of tons of bombs have been dumped on factories, shipyards and homes. Thousands of people have been killed and crippled: British, German, French, Italian, Greek, Russian, Chinese, Japanese and others.

The fog of war, the totalitarian midnight still spreads over once-sunny fields. There is but little light left.

We still hold fire in our hands, offering illumination to the groping. Let us be proud of our achievements, but realize how costly it would be to relax, even for a breath. Let us celebrate the years that have passed, but remember that we have lived them out. The years to come are the years that count.

A Monthly Magazine Devoted to the Credit Union Movement

I Learned About Credit Unions

By Val Weigel

• Mr. Weigel served the State of Kansas and the credit union movement for four years as Credit Union Supervisor. In that time, credit unionists learned to know and like him as a good friend and a hard worker. Now he has left his post to join the Federal Deposit Insurance Corporation, and the good wishes of the credit union movement go with him. In this article, he has something important to say about his recent experiences.

WHEN, on April 15, 1937, I became officially connected with the State of Kansas Banking Department, I did not know what the term credit union indicated; and for quite some time thereafter credit unions caused me no loss of sleep.

The thought occurred to me that credit unions were a sort of harmless weed growing up in the garden of finances, and I let it go at that until Mr. Brooks, the Banking Commissioner, told me one day that credit unions were my babies and that I should go ahead and use my best judgment in all matters concerning them.

This assignment was a challenge to me to inform myself and determine whether credit unions were worthy of any consideration or should be given only passive attention. It did not take very long before I discovered that I had had a very rare gem handed to me, somewhat in the rough, and to enhance its value was to be part of my assignment. I immediately set to work enlightening myself in credit union matters.

Without going into detail as to how I arrived at my conclusions I will say that I was very completely and most pleasantly surprised to find that someone had finally invented a weapon with which to combat the oft-condemned but very flourishing so-called loan shark, and at the same time provide a healthy means of teaching and practicing thrift. I found that, contrary to the general belief, credit unions are not to any appreciable degree in competition with banks and other savings and loan agencies.

To me the credit union means a democratic way of administering to and with each other's financial transactions of those unfortunate but worthy individuals who are not reached by any of the other legitimate financial institutions now established and functioning. The fact that the field of a credit union is limited to groups having a common bond of occupation or association or to groups residing within a well-defined neighborhood, makes it a family affair to begin with and should more closely unite those already acquainted with each other; and the idea of pooling their financial resources for their mutual benefit should be a very natural procedure.

It struck me as strange that so simple an idea as a credit union but so far-reaching in its beneficial effects had not been developed a long time ago, and I still do not understand why there are so comparatively few credit unions where there ought to be so many. When I say this, I am speaking particularly of Kansas, and from hearsay I gather that such is the situation in many other parts of the country. It is difficult to understand why so many eligible groups hesitate to organize a credit union, when the advantages are so numerous and so evident.

Credit unions are still in their formative stage and present an array of problems, but all of minor importance to credit unionism in general. As in any other great movements, time will eliminate the awkwardness that persists in many individual credit unions at the present time. I have reference to the manner and method of keeping records, making comprehensive reports, proper distribution and servicing of loans, necessary encouragement of thrift, proper administration by boards of directors, supervision by supervisory committees, careful consideration and inves-

tigation by credit committees, etc. All these need attention but I feel confident they are no cause for alarm.

From my observation of credit unions it would seem to me that their greatest need today is self-confidence and a firm conviction that their cause is both just and great and well worth the consideration of everyone.

I know that in a number of cases the attitude of credit union officers with whom I came in contact was that of the "poor man on the king's doorstep." Because they had an organization that caters to the lower-income groups they were reluctant to discuss their affairs with those who possess official and financial prominence. I recall a number of instances when an officer of a credit union approached me in a manner that suggested soliciting alms rather than inquiry about the management of a credit union.

Credit union folks must get and retain firmly the idea that a credit union is something to be immensely proud of, and they should consider it not only a privilege but a duty to spread the gospel of credit unionism among their neighbors. Officers should be fearless in their approach to supervisors, because they have a God-given right to expect and receive full attention and consideration.

In Kansas, League officers and directors are to be highly complimented on the job they did of selling credit union principles to the State Banking Board and the State Legislature. They approached the situation somewhat timidly, but they gained confidence as they went along, and the results achieved were excellent. They succeeded in having a number of laws amended which liberalize credit union administration and supervision and are of distinct advantage to members in several ways. They have also firmly established very friendly relations with the Banking Dept. Credit unions in Kansas have definitely become a part of the State program.

Perhaps other State Leagues could profit by the experiences of Kansas if they would communicate with the officers of the Kansas Credit Union League and become acquainted with their technique and procedure. I fully understand that credit unions have made great strides forward, but I know that much is still to be accomplished, and I feel that real success can be achieved if each member will loyally support his own credit union and consider it his solemn duty to constantly but wisely preach the ideas and ideals of credit unionism.

One of the ideals is close and efficient supervision and administration through State Leagues and the Credit Union National Association. It is my firm conviction that each and every credit union should belong to the State League. I could write a volume on the excellent work done by the Kansas Credit Union League and the Credit Union National Association. A credit union does not realize what it really misses until it joins the League and avails itself of the many services rendered by it and the National Association.

I shall always remember my association with credit unions as among the most pleasant of my life, and I shall always deeply regret that our connections had to be severed, but I hope and pray that the many fine men and women whom I met as Supervisor of credit unions will always remember me as their friend and the sincere friend of the credit union movement.



Twenty-seven Members and \$40,000 of Loans

By Fred A. Beard

♦ You're not dreaming—there really IS a credit union just like that. It is so small that the very ones who organized it did so under a pall of pessimism, thinking it could never last until pig-weaning time.

But it did.

Not only that, but it is a regular credit union paradise. Why, look, you:

1. It has been operating since May, 1932.

2. With its assets at an all-time high of \$3500, it has done \$40,000 in business, without a single penny of loss. The only loan ever charged off (\$15.00) was recovered.

3. One dollar per active member has been subscribed to the Filene Memorial.

4. The BRIDGE for all officers is paid for out of earnings.

5. All members call each other by their first names.

6. Ninety percent of all persons in the field of membership belong to the credit union.

7. An average of one loan per day is granted throughout the year.

8. Most borrowers receive their checks within a matter of minutes after making application.

9. Rejections and disagreements are rare occurrences.

10. The "front office" provides every incentive for the credit union to prosper, but will not accept any official position in it.

11. The supervisory committee actually audits—every transaction is checked and proved out. Twelve audits are performed each year.

Cramped, you say? Perhaps. We haven't as yet made a loan for the purchase of a new car. But life's list of needful things doesn't stop with new cars—and we have had a few in-nings at the rest of the list. We have bought as many hospital receipts, refrigerators and vacation trips per square inch as any other credit union in our acquaintanceship. We kept one man from giving up everything and

quitting, by taking a "long shot" on him. He is now as solid as the rest. We saved one fellow from being swallowed up by loan sharks who practically owned him when he came here. We have helped three members buy lots on which they are soon to build new homes. We wired money to one member on vacation in Louisiana with car trouble. And of course, those are only samples of the surfeit of our transactions.

A test of our streamline organization was conducted recently, when a check for a loan was delivered to the borrower just three minutes after she had signed the application! Photographer and credit committee chairman were the only ones who knew they were being timed.

One member, F. E. Horning, started saving twenty-five cents each payday, at the time the credit union was organized. He has never missed a payday, he has never paid more nor less
(Continued on page 190)



Left—Treasurer's office is one drawer in this desk.

Right—Credit union history being made. Borrower Jeanne Van Scoy receives her check from credit committee chairman Herman Hagen in just three minutes from the time she signed the application.



Below—These are not the officers and committeemen—this is the whole credit union! Just two members were missing the day this picture was posed.



Reserves: Their Purpose and Utilization

By Rudolph F. Stahl

● Rudolph F. Stahl was practicing law in the German city of Frankfurt am Main when the Nazi party took power. He was officer of a credit union which his father had established many years before. Storm-troopers came around to inspect the credit union's books, and Stahl, being Jewish, was forced to resign. He is now working with the National Refugee Service in New York and has recently completed a master's thesis at New York University on the subject of credit union reserves as established under several statutes.

RESERVES are a topic of perennial interest, not only in a time of depression when all are concerned with losses and how to prevent them, but also in a time of prosperity when everything, including credit unions, is expanding. Especially in these latter times provision for lean years should be made.

In this article the differences in the treatment of reserves found in various credit union statutes will be presented on the basis of an individual case. A general comparison of the size of reserves with actual losses will then be offered. Finally an attempt will be made to present a rule for guidance of the individual credit union.

I. The Law

The forty-four credit union statutes of the United States exhibit a wide variety in their provisions affecting the building up and the operating of reserves.

Let us first see how reserves are built up. There are two principles common to nearly all the statutes:

1. Entrance and transfer fees and—in most cases also—fines are credited to these reserves.

2. In addition to these credits a certain percentage of the earnings is transferred yearly to the reserve. The rate of this percentage varies widely:

- 4 statutes provide for a credit of 25 per cent of net earnings
- 31 statutes provide for a credit of 20 per cent of net earnings
- 1 statute provides for a credit of 15 per cent of net earnings
- 5 statutes provide for a credit of 10 per cent of net earnings
- 3 statutes provide for a credit of 10 per cent of gross earnings.

For the purpose of illustrating the provisions of the law three statutes will be compared, New York, Minnesota and the Federal statute. On the basis of actual figures of a typical credit union of the occupational type

operating under New York law, a comparison of the reserves for three selected years is shown. The credit union in question was founded in 1931 and had no losses during the period shown. The following table indicates the figures as they are in the books and as they would appear according to the Minnesota and Federal statute:

Dec. 31	Total Assets	Loans Outstanding	Shares	Earnings Gross	Net	New York Guaranty Fund & Reserve	Reserve computed according to Minnesota Statute	Federal Statute
1931.....	\$3,150.57	\$3,071.75	\$3,065.00	\$ 131.81	\$ 66.10	\$ 25.78	\$ 32.86	\$ 31.88
1935.....	23,673.08	20,600.80	20,982.68	1,986.93	1,545.02	738.47	821.68	1,055.34
1939.....	66,219.74	53,927.49	60,602.78	5,254.80	2,892.32	2,160.38	2,828.72	3,352.80

The varying effect of the several statutes upon the development of reserves is also shown by the following percentages:

December 31, 1939

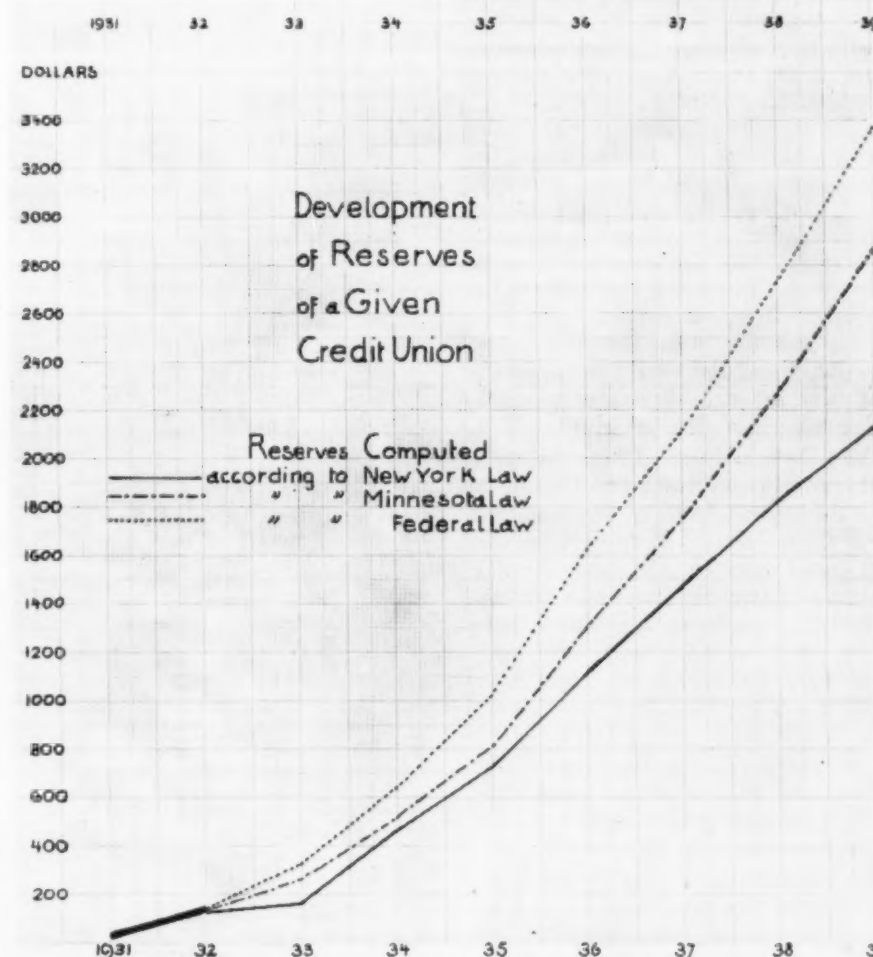
Total reserve as percentage of total outstanding loans.....

Total reserve as percentage of total assets..

On the basis of the law of
New York | Minnesota | Federal

4.00% | 5.25% | 6.21%

3.2 % | 4.3 % | 5.1 %



a separate "reserve for bad debts" is provided. This reserve is computed, if interest or partial payments are in default, at a percentage of the loan in default, the percentage varying with the length of time for which the loan has been in default (10 per cent for six to twelve, 50 per cent for twelve to eighteen and 100 per cent for more than eighteen months of default). The credit to this reserve is arrived at by a charge against the guaranty fund up to 25 per cent, and, if this is not sufficient, an additional charge against earnings. The New York procedure is best illustrated in the picture chart at the right.

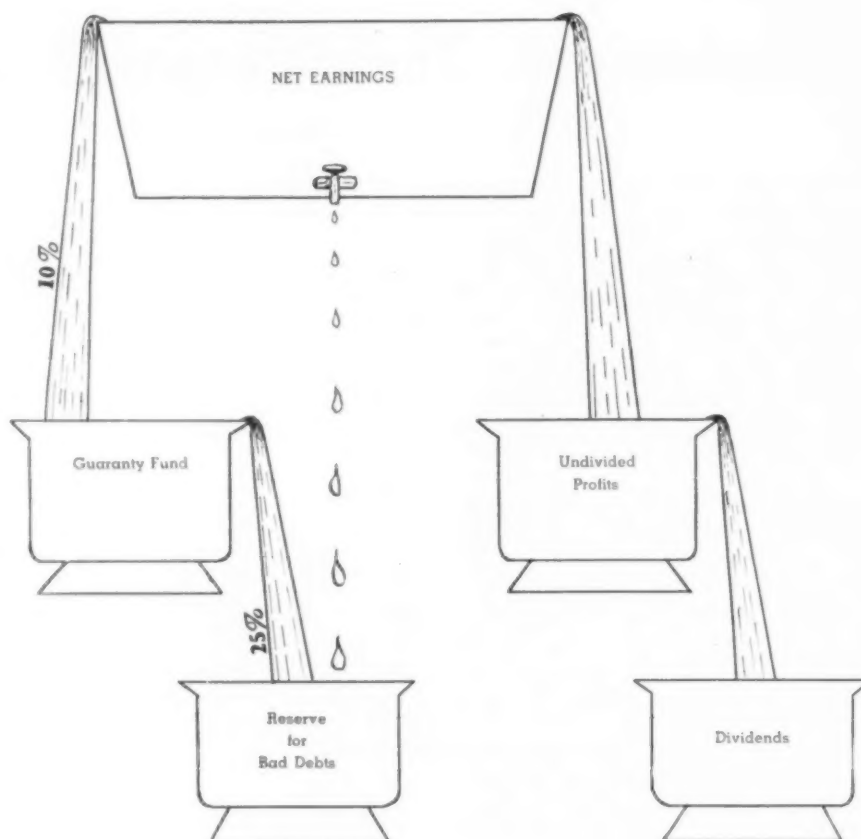
The significance of this procedure is the flexibility of the credit union's capital structure. Up to 1931 the New York law provided a transfer of a flat rate of 25 per cent to a so-called guaranty fund, but the law was changed in 1931 and provided for the new feature of a true "reserve for bad debts" on the basis of a computation of default of loans. By this new creation the possible losses arising from weak loans will be covered by a reserve.

The indirect way of taking the reserve amount out of a separate account, called guaranty fund, has the further advantage of creating a reservoir for possible future funds necessary to cover losses from overdue loans, thus adapting the capital structure of the association to the varying needs at the end of the year.

This flexible mechanism makes also for stability of dividends. Since the reserve may be fed by the guaranty fund, the earnings may be used for dividends in years when the earnings are small, but the reserve is large enough not to require that new credits be taken from net earnings. In such a case only the 10 per cent transfer to the guaranty fund would be necessary and the balance of net earnings is available for undivided profit.

The Federal Credit Union Act provides for transfer of a flat rate of 20 per cent to a "reserve fund against possible bad loans." This provision was not based upon an actual examination of the outstanding loans and did not take into consideration whether there were loans overdue and how long. The reserve thus created might have been much too high in a case where only a few loans with small amounts were overdue. The reserve on the other hand was completely unsatisfactory in the case where large amounts were overdue.

In recognition of this unsatisfying condition of the law, the Governor of the Farm Credit Administration has published a new regulation establish-



ing a "special reserve for delinquent loans." It is based upon the computation of percentages of the loans in default similar to the New York law.

For a default of 2 to 6 months, 10 per cent

For a default of 6 to 12 months, 25 per cent

For a default of 12 to 18 months, 50 per cent

For a default of over 18 months, 100 per cent

SUMMARY OF THE RESERVE PROVISIONS
of the New York, Minnesota and Federal Law

OBJECT	NEW YORK		MINNESOTA	FEDERAL
	Guaranty Fund	Reserve for Bad Debts	Reserve	Reserve
Creation and Periodic Transfers	Transfer of Fees & Fines & 10% of Net Earnings	According to Valuation of Bad Debts 25% of Guar. Fd. and Earnings	Transfer of Fees & Fines & 10 % of Gross Earnings	Transfer of Fees & Fines & 20 % of Net Earnings and Special Reserve
Ultimate Minimum Limit for Transfers to Reserve	10% of sum due to shareholders and depositors, if guar. fd. exceeds \$50,000		15% of assets	None
Ultimate Maximum of Reserves	Not to exceed the capital & 50% of other Liabilities		None	None
Investment of Reserves	One half in savings bank securities		None	None
Charges for Losses on Loans		Reserve for Bad Debts	Reserve	Reserve
Securities	Guaranty Fund		Reserve	Profit and Loss
Others	Profit and Loss		Reserve	Profit and Loss

have to be set aside. If the amount so computed is greater than the ordinary reserve prescribed in the Federal Credit Union Act, the difference is to be established as a "special reserve" by appropriate transfer from undivided profits.

Not only is the creation of the reserve differently regulated in the three statutes, but also the charges for losses, the ultimate statutory minimum and maximum and the investment of the reserve fund. This may be shown in the foregoing summary.

It may be seen from the foregoing table that the reserve provisions of the several statutes have distinctly different purposes in view. Sometimes the reserves serve to cover losses on securities and other losses, sometimes losses on loans only, and sometimes also any other type of loss.

Losses on securities and other investments are to be charged to the guaranty fund in New York and to the reserve in Minnesota, while the Federal statute does not allow any charge to the reserve for this type of loss. Other, especially unforeseen, losses may be charged to reserve in Minnesota only, the other two statutes making no provision for such a charge, so that such losses have to be charged to the profit and loss of the year.

II. Experience

Regardless of statutory provisions, the size of the reserve of the individual credit union will be determined by its age. Since Federal Credit Unions are of comparatively recent origin (statute of 1934), the size of the reserve on their combined balance sheet cannot be as large as the reserve in Minnesota (law enacted in 1925) or as in New York (law enacted in 1913). The difference in percentage of the reserves of the combined balance sheets as of December 31, 1939, is shown in the following table:

Reserves Compared to Liabilities and Loans Outstanding

Reserves as a Percentage of	CREDIT UNIONS				
	Federal	Minnesota	New York		
			Total	Fifty-nine opened before 1928	Opened after 1927*
Total Liabilities.....	2.6	3.2	8.4	14.2	3.2
Total Loans Outstanding.....	3.36	4.1	12.8		

*Balance as of December 1937.

The most interesting question is whether the reserves have served their purpose. Their main purpose is to absorb losses. The statistical reports available of the Federal Credit Unions are eloquent of the insignificant total of the actual losses in-

curred. The charge-offs on loans of Federal Credit Unions in various States during the year 1939 are between .03 and .08 per cent of the amounts loaned to borrowers.

An instructive comparison is that of losses with the reserves provided for their absorption. The following table gives an indication of the amplitude of the reserves in Federal Credit Unions as shown on their combined balance sheets.

Losses and Reserves of Federal Credit Unions

Year	Loans Outstanding at Dec. 31 Dollars	Reserves at Dec. 31 Dollars	Losses during Year Dollars	Losses as a Percentage of the Reserve of the Preceding Year
1935.....	1,830,489	40,522	473	
1936.....	7,399,124	172,199	3,330	8.4
1937.....	15,772,400	423,326	17,211	9.9
1938.....	23,824,703	761,762	34,448	8.1
1939.....	37,467,624	1,260,930	68,107	8.9

It is probably not possible to draw a final conclusion from the results of the operation of Federal Credit Unions, since their experience does not embrace a complete business cycle. An indication of the rate of development of reserves in an area with an old credit union tradition is given by figures of fifty-nine New York credit unions, as shown in the following table:

GUARANTY FUND AND RESERVE FOR BAD DEBTS

as a Percentage of Total Liabilities, in Fifty-Nine New York Chartered Credit Unions (Municipal Credit Union not Included).

Year	Guaranty Fund	Reserve for Bad Debts	Total
1928.....	7.8		7.8
1933.....	12.5	4.0	16.5
1937.....	12.6	1.1	13.7

before, but only 10 per cent of the net earnings. Instead, the reserve for bad debts was established on the basis of actual delinquencies. How well this feature served its purpose, may also be seen from the above table, inasmuch as already in 1937 this reserve could be diminished to 1.1 per cent of total liabilities. If one adds the undivided profits, in 1937 totaling 4.6 per cent of total liabilities, to the guaranty fund and reserve of that

year, one arrives at a figure totaling 18.3 per cent of the total liabilities. On the basis of such figures this group of credit unions can confidently face another depression period.

The striking contrast between reserves and actual losses disclosed by the figures reviewed raises the question whether the statutory provision for mandatory transfers to reserves should not be supplemented by a provision suspending such mandatory requirement when the reserve reaches a stated minimum. Certainly such a minimum should not be too low, because of the purpose of the reserve as a protection against losses. Nor can such a minimum be reached within the first few years of the existence of a credit union. A certain age has to be attained by the association before its reserves can be adequate to cover all losses.

Such a provision fixing a minimum of the transfers to reserves is found in the Minnesota law, and it may be asked whether a similar one might not be adopted by other statutes. The Minnesota law fixes the minimum upon the attainment of which the transfers to the reserve may be stopped at 15 per cent of the assets.

If one searches for a fair basis for this purpose, it may be useful to examine the statutes governing Savings and Loan Associations. Here we find such limits as a given percentage of capital or of real estate, whichever is larger. Translating this into terms of credit union law, one may arrive at a statutory requirement of a certain percentage of the share capital or the loans outstanding, whichever is larger.

Could such a limitation be accomplished, a sizable percentage of the

(Continued on page 187)

A Dollar a Day and Open Air

By Richard Giles

♦ An open-air vacation at low cost is yours if you have the strength to pedal a bicycle or carry a light pack. No hauling heavy blankets, no pitching and ditching tents: American Youth Hostels provides inexpensive shelter for hikers and bicyclists over a series of trails in various parts of the country.

Youth hostels, they call them—barns and farmhouses, for the most part, turned into overnight camps where you pay twenty-five cents to stay the night, plus a nickel or a dime for fuel. You do your own cooking, you make your own bed, you wash your own dishes; but blankets and roof and drinking water are there waiting for you.

Youth hostels—but don't let the word "youth" throw you off. Naturally, young people find it easier to get away from their obligations for a hike or a bicycle trip; naturally, the low price is tailor-made for young people. But anybody from four to ninety-four who likes the outdoors and can find another use for the money saved ought to think it over. The price of your vacation will run about a dollar a day while you're on a trail: transportation to and from the trail, a bicycle, any special equipment will cost you extra.

The youth hostel idea is an old one in other countries. In most of the countries of Europe it used to be possible to take a bicycle or walking trip inexpensively. The idea was introduced here by an American couple named Monroe and Isabel Smith in 1934, and it has grown in popularity every year since then.

Mr. and Mrs. Smith have a number of ideas about their project. Of course they are nature lovers. Of course they are interested in young people. These two interests alone would be enough to make anybody enthusiastic about youth hostels.

But the Smiths also have ideas about the value of travel in foreign countries. Youth hostel trips are organized in Mexico and Canada, and in happier days there were trips to Europe. Familiarity with foreign lands, the Smiths think, leads to friendliness between nations, international understanding and good will.

It would be easy to laugh about this today, when international good will seems to have reached a new low. But it clearly isn't the people of Europe who made this war; they were dragged into it by undemocratic governments.

Maybe international good will isn't enough, but it's something.

The first youth hostels in this country were set up in New England. The Smiths made their headquarters in Northfield, Massachusetts, and they proceeded to seek out farmers who would be interested in putting up hikers over night. The way they went about it was to try to find some man who was respected in the community. He wasn't always a farmer: sometimes he was a school teacher or a minister. He had to be the kind of man who was interested in young people; he had to be friendly and reliable. There wouldn't be much money in it for him, so he had to be interested in the whole idea.

A system of trails had to be worked out. There are plenty of trails for hikers in New England—the Long Trail in Vermont, the network of Appalachian Mountain Club trails in New Hampshire. For bicyclists, trips could be planned on secondary roads. American Youth Hostels didn't lay out any trails or bicycle paths of its own; it simply made use of what was already there, and planned shelters at distances of about fifteen miles apart.

From New England, the hostels have spread out to other parts of the country. Trails have been established in Pennsylvania, West Virginia, North

Carolina, Missouri, Iowa, Wisconsin, Illinois, Colorado, Washington, Quebec and British Columbia. Future trails are planned for other districts. The number of hostels has grown from 35 in 1935 to over 200 at present; the number of people staying over night at hostels was 4,500 in 1935 and over 40,000 last year.

There is no profit in this for the Smiths. Membership fees help support the enterprise: it costs you a dollar to join if you are under 21, two dollars if you are older. For your dollar you get the right to stop at hostels, you get a quarterly publication called "The Knapsack" with news about hosteling, and how you may get in on social activities with other hostellers in your home town. But membership fees aren't enough to support the whole enterprise: money contributions and volunteer workers help keep it going.

In Youth Hostels there is much of the idealism and fellowship that is already familiar to active credit unionists. The same spirit of democratic co-operation operates under more festive conditions. Credit union members interested in planning trips for themselves or for congenial groups might write for further information to American Youth Hostels, Inc., Northfield, Mass.



85% of Youth Hostellers travel by bike

Filene Pictures Go Fast

By Claude E. Clarke

♦ The Filene Memorial campaign approaches this month the end of its first and most important objective.

That first objective is the accumulation of \$150,000 so that the first unit can be built, construction starting this fall. This summer we are all concentrating on the one purpose—to have \$150,000 in the bank early in September.

Once we start to build and this project advances to the practical stage and credit unions everywhere realize that the Filene Memorial is about to become a reality, I feel confident that donations will increase in both number and amount. Building the first unit will, of itself, assure the completion of the entire building.

How far along are we at this writing,
July 23, 1941?

We have in various banks almost an even hundred thousand dollars. State campaigns are beginning to function in such fashion that we feel very sure that the total will be \$150,000 by September. The Filene Memorial Pictures are selling extremely well. We have sold, on the basis of the circularization, about ten a day since the circulars went out to a total profit to the Memorial thus far of \$1,600. Mr. Bergengren recently attended a meeting at which there were eleven credit unions represented; *he had ten of the Memorial pictures with him and sold all ten of them within ten minutes.* We can move a minimum of 2,000 pictures (and thereby add \$16,000 to the Fund) in August if we can find enough of our leaders who will do the foot work necessary to get round to the credit unions and make the sales. *Here is a chance for us all to do a good turn for the Fund.*

You will note a reproduction of the \$2,200 check we received, via the California League, from the Los Angeles Teachers Credit Union. Every now and then—not very often but often enough to be a very great encouragement—this happens, and a credit union goes “all out” for the Memorial.

Many interesting things are happening. A Cincinnati credit union sent in the other day \$74 for a Filene Memorial Picture. And it is of very special interest that this credit union is a Federal Credit Union and therefore denied, by the rule, from making donations in some of the more simple ways permitted State-chartered credit unions. Just apply a little simple figuring to what this credit union did. It raised \$74 *with no difficulty at all.*

If 5,000 of the 9,700 credit unions in the United States would do just what this credit union did and each raise in this very simple fashion \$74, the total would be \$370,000 or \$120,000—more than we are trying to raise for the entire project. This simply proves that *"where there is a will there is a way."* We have nearly 10,000 credit unions with over 3,000,000 members; our assets now figure in hundreds of millions. We have enough undivided earnings in credit unions to build half a dozen Filene Houses and never feel it. *All we have to do is to make up our minds that building Filene House is, for us, an easy chore; that it is very easily within our powers and that now is the appointed time.*

Meantime I have some more good news. As is probably quite generally known by now, the Filene Memorial site consists of five acres bounded by the Yahara River and Sherman Avenue in Madison. Across the street is a relatively small piece of land which has, however, a considerable lake frontage. By acquiring this land it will be impossible for all time for anyone to build any kind of a structure between Filene House and the Lake. Steps have been taken to acquire title to this strip of land in the city at a cost of \$10,500. The money is now being raised, and the creation of further city park on this area greatly increases the value of the Filene House site.

There are two other things about the site which are of exceptional importance. There is no smoke nuisance in this area. When a beautiful building is built on the Filene House site, it will remain beautiful. Further, on almost every side, the Filene House property is surrounded by beautiful city parks. Almost across the street is the finest bathing beach in the city. Adjacent is a most interesting old lock in the Yahara River. The river, which takes the overflow from Lake Mendota to Lake Monona and is in constant

motion, has no low and high periods and no disfiguring growths. It is beautiful all year round. And the acreage assures us that the land will be available for any extensions which may be required by the development of the credit union movement for generations to come.

As this campaign for the first unit goes into its final month we are all like the long distance runner coming into the last lap. *Here is the spot where we call upon our reserves.* And that can be done only as you—you who are reading this article—call on your reserves. This first \$100,000 which we now have in the bank came from hundreds of thousands of credit union members. It has been possible only as great numbers of our members have caught the vision of what we are trying to do. So—now that we are in the stretch—will you ask yourself—“*Has my credit union done all that it can do?*” “*Have I personally done all that I can do?*” “*Are there other credit unions besides my own which I personally can contact so that they will do all that they can do?*” “*Has my credit union a copy of the Filene Memorial picture; if not, why can't I sell a copy to my credit union?*” “*Couldn't I get three or four copies and contact three or four credit unions and sell them and do my bit that way?*”

It's a *personal* business. Filene House will belong to the thousands who will build it. It will be forever an increasing source of pride and satisfaction to them. It will make it possible for the National Association, for the CUNA Supply and the CUNA Mutual to do a better and better job. It will, above all, tell the whole wide world that we are proud of our Founder and that we welcome the opportunity to honor him.

So—make August count!

After Labor Day there will be other work to do. To do the most effective job possible we must start Filene House this fall. The building we now occupy has been sold. We must give it up when our lease expires, November 1, 1942.

Where shall we move to?
Filene House!!

THIS CHECK IS ISSUED IN PAYMENT OF THE
 FULL AMOUNT DUE TO THE UNITED LEAGUE OF WOMEN'S CLUBS FOR THE YEAR ENDING DECEMBER 31, 1941.
 THIS CHECK IS NOT VALID UNLESS SIGNED BY THE PRESIDENT OR SECRETARY.

DATE	ITEMS	AMOUNT
1	Donation from	
	In A. Teachers C. U.	
TOTAL		\$2,200.
LESS DISCOUNT		
NET AMOUNT OF CHECK		\$2,200.

No. 1 90-2
12

OAKLAND, CALIF June 23, 1941

PAY TO THE ORDER OF FILENE BUILDING MEMORIAL FUND \$ 2,200.00

CALIF. CREDIT UNION LEAGUE \$2200 00 CTS. DOLLARS

CALIFORNIA CREDIT UNION LEAGUE

E. Bender
Acting Exco. Secretary

Charles R. Wendt
Acting Exco. Secretary

IF INCORRECT PLEASE RETURN NO RECEIPT NECESSARY

Group Health Plans for Low-Cost Medical Care

By Dr. Kingsley Roberts

● *The address from which this article is extracted was delivered before the Third Annual Convention of the Group Health Federation in Milwaukee on June 19. Dr. Roberts is executive secretary of the Federation and a pioneer in the field of group medical service.*

IN MODERN warfare it is becoming more and more evident that success lies with the side able to produce and maneuver the most modern type of equipment. Planes, tanks and guns and tactical procedures must be of the latest design or they are useless.

The men and equipment that dropped out of the skies on to Crete were beyond the possibilities of imagination a very few years ago. What is true in military tactics is likewise true in man's warfare against disease. Now is the time when we must turn to the most modern weapons at our disposal if our health record is going to be such as to keep pace with progress in other lines. Now, as never before, the health of the nation is important. Now as never before, civilian health is important for it is evident that modern warfare calls for fortitude and stamina from the civilian population as well as from the armed forces.

The medical departments of the Army and Navy plan for the health care of the military. Industrial physicians and safety engineers plan for the health care of the workers as long as they are under the jurisdiction of occupational disease insurance. And the need for maintenance of morale and health of the civilian population is so great that it demands that there should be intelligent planning in order that the worker and his family shall have the best possible medical service outside of the shop.

Whatever the outcome of this war, it is becoming more and more apparent that there is going to have to be more planning in our daily lives. To a great extent this war is being fought to determine whether that planning is to be autocratic and dictatorial or a planning of the people, for the people, and by the people, but planning there must be. The planning will extend into health service medical care because the health of the population is of such extreme importance. The movement towards health care planning is becoming more and more ap-

parent. Hospital service associations have enrolled over six million American citizens during the past ten years. Medical societies at both the state and county level have proposed and put into operation various types of prepayment plan for professional services which cannot, at the present time, be accurately evaluated, and those of you in the Federation know that group health plans of various design have brought health service and medical care of high quality to thousands of people who would not otherwise have had it. These are all implements in voluntary health care planning.

As one of the objects of this Convention is to call the attention of management to the group health movement, I should like to do so on the basis that the group health movement can be of great importance to management not only for humanitarian reasons, but likewise for economic reasons. Absenteeism is an important factor in production costs. Workers that are ill do not produce—substitutes have to be found for them, and when they return to work, they frequently must be put in less vigorous occupations than those which they left during the periods of convalescence. All of this is expensive to maintain. Therefore, I feel justified in making the statement that intelligent management will study carefully any device which lessens this expense.

There are 400,000,000 man days lost annually because of illness, only ten per cent of which is due to industrial disease. In other words, there are 360,000,000 man days lost due to non-industrial illness. Some of this illness is preventable. To the best of my knowledge and belief, the crying need of the present situation is that nobody knows exactly what proportion that is. My own present belief is that the figure is somewhere in the neighborhood of twenty per cent.

I regret that faulty memory prevents my giving the credit where it is due to the columnist who in referring to strikes in defense industries said, "Let us not be caught with our plants down."

Now according to the best figures available, strikes cost about two hours per man-year of time lost, whereas illness costs about eight days per man-

year. Therefore, I should like to lift this admonition in toto over into the health field and say "Let us not be caught with our plants down due to preventive illness." And in this, I believe that group health plans can play an important part.

Taking it by and large, group health plans furnish to their subscribers better than average general physicians and specialist care as far as the treatment of disease is concerned. I would say that if a stranger was to arrive in a locality where there was a group health plan in operation, he would be quite safe in placing himself in the hands of the physicians of that group.

We are standing in a phase of the development of medical practice in which attention is beginning to swing towards efforts to promote positive health and a rational consideration of the pre-clinical stages of disease. Obstetricians are increasingly offering flat rates for deliveries. These rates include pre- and post-natal care. Specialists in the diseases of children are increasingly offering flat annual rates for the care of youngsters and include the usual immunizational procedures as well as an unlimited number of visits. Fortunately, the myth of the effectiveness of the "complete yearly physical examination" is being dispelled, and more and more attention is being diverted to the subject of nutrition, sex education and mental hygiene. These are all encouraging signs. They are bright spots in an otherwise pretty dismal world. They are paradoxical because it seems as though everywhere people's attention is being held by efforts to destroy life rather than prolong it.

The group health plans play a very important part in the development of this truly scientific and democratic procedure, for they are, in my opinion, showing us the way to solve one of the very great factors in the problem, namely, how such services can be paid for, because, unless the practice of health conservation and preventive medicine is made financially attractive to physicians of high quality, it will be of very little value, and I regret to say that there is no evidence to show that the public is willing to pay for it on a fee-for-service basis.

When compensation laws were first

introduced, management thought it was being imposed upon; that its profits would be curtailed, and that the beginning of Socialism was at hand. As time has gone on, management has learned that its original fears were unfounded, but what is more important for us, it has learned another very important lesson, and, as might be expected, it has learned this lesson because the answer is reducible to terms of dollars and cents. Management has learned that the intelligent use of the industrial physician and the safety engineer can reduce experience ratings and hence industrial insurance premiums. Therefore, it is possible for management to demonstrate to stockholders that procedures in the prevention of industrial illness pay for themselves, and although most people in management understand that these procedures also improve employee relations it is easier to convince the stockholders by the sound of the cash register.

Now it seems to me that the time has come when management must learn that it can also improve its employee and public relations, as well as increase its profits by a consideration of the health of the employee outside of the four walls of the shop. After all, an employee spends more than twice as much time away from his place of employment as he does in it. Remember the figure that I gave you earlier, going to show that 90% of absenteeism was due to non-industrial disease. Theoretically at least, this disease is contracted outside of the shop. Now the interest in this subject is of importance to management in terms of profits. At this particular time it is of national importance in terms of preparation for war.

We must utilize every known educational technique. We must teach our subscribers and their families how to get and properly prepare the correct amount and kinds of food which will supply them with sufficient vitamin needs, as well as a balanced diet. Although there is danger in the present tendency to over-emphasize vitamins and a great deal of need for debunking the subject, nevertheless any health conservation and preventive medicine program which did not give them due consideration will fall far short of its goal.

Not the least difficult part of this educational program will be to convince the physicians that they should take an interest in the well person and methods whereby he can be kept well, and at the same time, educate the clients that the inconvenience and hitherto uncalled for efforts necessary to maintain a positive state of health are worth while.

It is unreasonable to expect a woman to submit to the inconvenience of a pelvic examination unless that examination is made by a physician who is competent to identify pelvic disease in its early stages. The medical care administrator who does not understand the importance of the educational side of this program is not fit for the job.

And finally, I should like to point out that all of the foregoing calls for alteration in the usual type of medical education. At the present time, medical school faculties are essentially concerned with disease. Somewhere along the line we must make them conscious of health because we cannot expect medical students to be graduated with any comprehensive program for health conservation and preventive medicine in mind, if the faculty, to which they sit, itself is not. It is unfortunate that there has developed such a wide chasm between so-called public health officers and the average practitioner of medicine. This division must be removed and to my mind the nucleus of the organizations which could remove it, the quickest is to be found in the people of this Convention.

It may be coincidence, but I believe it is at least somewhat a matter of cause and effect, that recent plans sponsored by medical societies have tended to be more inclusive in nature, and in the case of the Medical Society of New Jersey, has included periodic health examinations and one visit per year by the well person to the physician in its benefits.

In the sickness insurance field there will always be a necessity for an organization that will push for such innovations and alterations and practice as will be of the greatest common good because this is a subject which can never be static any more than the art of medical practice can be static.

Those of us who are having experience with organization and administration of group health plans are faced with the fact that, although we know and a great many other people know that large sections of the public need them, getting these plans under way with sufficiently large numbers to give them safe bases, entails a very thorough educational job, and some such organization as the Federation is needed to see that this job is done in an ethical and straight-forward manner.

Let me repeat my opening admonition to the effect that only modern methods and weapons are effective in these extremely serious times. Let me also reiterate that my statement of the health of the civilian population, as expressed in the maintenance of its stamina and morale, may affect the nation as much if not more than the courage and stamina of our armed forces. This is the time for us to encourage sane experimentation with devices which will bring more and better medical care to more people on sound professional and economic bases. This is no time to go to war with equipment made from blueprints drawn about 1910. This is an excellent time to get out of the medical horse and buggy.



A chartered lake steamer carried Milwaukee credit unionists to Racine for the Wisconsin League's Annual Meeting; and when housing on shore proved insufficient, the vessel was converted into a hotel for overnight guests.

WHAT ABOUT IT?

Credit Unions Must File Report on Aliens

Executive order requires all fiscal institutions to report on alien depositors before August 30; failure to do so carries heavy penalty

From ILLINOIS

Subject: Alien Registration

QUESTION NO. 1: What can you tell us about the law requiring financial institutions to register aliens holding deposits? Does it affect credit unions?

ANSWER NO. 1: Credit union treasurers should speedily carry out the requirements of Executive Order No. 8785 and the Regulations issued by the United States Treasury Department pursuant thereto. This is the Executive Order "freezing" funds of aliens in the United States.

If any member of a Credit Union is a "national" of any European country (other than Great Britain, Ireland and Turkey) it is unlawful for a credit union to pay out any of his funds to him or pursuant to his order or to honor any transfer he may make or attempt to make of his funds without first obtaining a license from the United States Treasury Department authorizing and permitting such transfer or payment to be made.

The word "national" means any person who has been domiciled in (who has lived in) or is a subject, citizen or resident of any foreign country covered by the order at any time on or since June 14, 1941, and also any person who has been acting as agent for the benefit of or on behalf of any such "national" or such foreign country.

The Treasury Department, however, issued a General License No. 42 authorizing payments to "nationals" who have been domiciled in and residing only in the United States at all times on and since June 17, 1940 (April 8, 1940, in the case of Norway and Denmark, and May 10, 1940, in the case of The Netherlands, Belgium and Luxembourg), provided that the only reason the person in question is a "national" of a foreign country is because he has been during that period, or is, a subject or citizen of such foreign country. That is, the

General License does not apply to persons who are "nationals" because they have been acting as agents for foreign countries or other "nationals" of foreign countries. No further license or permit is necessary to make payments to "nationals" covered by General License No. 42.

We assume that this General License would cover substantially all members of Credit Unions who might otherwise be subject to Executive Order No. 8785.

Each Credit Union is also required to file a report on Form TFR-300 as to any member who is a "national" and who is not covered by General License No. 42 above described, and whose interest on the opening of business on June 1, 1940, or at any time since, was \$1,000 or more.

Forms TFR-300, in cases where they are required, must be filed with the Federal Reserve Bank of your district on or before August 30, 1941, in quadruplicate. Copies of the forms can be obtained by writing to your Federal Reserve Bank.

Treasurers failing to file this information before August 30 may be subject to heavy Government penalty.

This statement was prepared by the attorneys for the Illinois League, Rosenthal, Hamill, Eldridge & King.

Subject: Lowering Costs

QUESTION NO. 2: At a recent meeting of our Board of Directors, discussion arose as to the reduction of one percent per month on unpaid balances. It was agreed that it would not be the proper thing to do at this time, but in order to meet competition regarding automobile loans, it was suggested that the Credit Union might assume part of the insurance cost to members purchasing new cars. The suggested reduction being about $\frac{1}{3}$ of the total price of the insurance.

Answer No. 2: There are two principal reasons why the suggested

By Tom Doig



Readers are invited to Submit Questions on any Credit Union Problems and also to give us your frank reaction to the answers, whether you agree or disagree with the Editor.

method of reducing the cost of financing automobile loans with the credit union should not be used:

1. There is no certainty that the loan will remain outstanding during the entire period covered by the insurance. The Federal Credit Union Act (paragraph (5), section 7) provides that "A borrower may repay his loan, prior to maturity, in whole or in part on any business day." In view of this provision it is possible that the credit union may pay more on the insurance than it would obtain from the borrower in interest.

2. When insurance, such as fire, theft or collision, is obtained on automobiles, the coverage is for the actual value of the car and has no relation to the amount of the loan. Therefore, the amount paid by the credit union, as its part of the insurance premium, would be the same under the suggested plan whether the borrower obtained \$200, \$300, or \$500 from the credit union. This would result in unequal treatment to borrowers when considered in connection with the return to the credit union from each borrower in the form of interest.

Insurance of an automobile accepted as security by a Federal credit union insures to the exclusive benefit of the borrower to the extent of his equity in the car and to the joint benefit of the borrower and the credit union for the amount of the loan. In view of the fact that the borrower is the party that is primarily benefited by the insurance, the payment of the premium is his obligation, which should not be assumed even in part by the credit union. If it is desired, in order to meet competition, to reduce the cost of financing automobiles to borrowers from the credit union, such reduction should only be made by the credit union through a reduction in interest rate on such loans.

Subject:
Fines

QUESTION NO. 3: We have had a battle royal in our Credit Union over fines. One fellow quit rather than pay a ten cent fine. The common alibi is that they were not told they would be assessed fines if they got behind in their payments. We have lost two or three members over this question, but feel the system is fair and perhaps we are better off without these poor sports. Our position is that fines should be assessed on all alike with favoritism to none. We have heard of some credit unions that assess fines only on their worst offenders. How would you assess fines as a treasurer?

Answer No. 3: Most credit unions have discontinued the business of assessing a fine against a member because he failed to make a payment in his share account, and I believe also that a majority of credit unions have discontinued the practice of assessing a fine because of delinquencies in making repayments of a loan. When a borrower pays a fine because of being a delinquent, he feels that he has paid for the privilege of delinquency and is entitled to continue the delinquency. It seems to me it is the business of credit unions to be a little more insistent about getting payments on time and I believe this can be done without the use of fines, better than with them. I would, therefore, strongly suggest that all fines be eliminated. If this necessitates a change in your by-laws, then I think the by-laws should be changed.

Subject:
State or Federal Charter

QUESTION NO. 4: Will a state chartered Credit Union get the same co-operation from your Association as a federal union?

Answer No. 4: Since the Credit Union National Association was originally comprised almost entirely of credit unions chartered under state laws and since the Credit Union National Association was really responsible for the passage of the Federal Credit Union Act, it will be evident to you that this organization is comprised of both state and federal credit unions and renders the same services to either.

Subject:
Labor Unions

QUESTION NO. 5: Can a Labor Union (A. F. of L.) secure a federal charter for its members?

Answer No. 5: Yes, a labor credit union (A. F. of L.) can secure a federal charter for its membership.

Subject:
Supplies

QUESTION NO. 6: Can we continue to buy supplies from CUNA if we resign our membership in the State League?

Answer No. 6: It would be possible for your credit union to continue purchasing supplies from CUNA regardless of affiliation with the state league. However, if affiliated with the league, your credit union is entitled to a 20% reduction in the price of all supplies purchased.

Subject:
Cuna Mutual Service

QUESTION NO. 7: Will Cuna Mutual Insurance be available to us?

Answer No. 7: The services of the Cuna Mutual Society are available only to those credit unions which are members of state leagues and, therefore, this service would not be available should you discontinue your membership.

Subject:
Interest Charges on Delinquent Loans

QUESTION NO. 8: In the case of delinquent loans, where neither the principal or interest payment is made,

and where no fine is assessed for this delinquency, is it advisable to compound the delinquent interest from month to month (that is, charge interest on the delinquent interest) or just charge the regular 1% monthly interest on the principal only?

Answer No. 8: Delinquent interest should never be compounded in a credit union. Such a practice would be considered as usury. Credit unions should try to eliminate delinquencies rather than endeavor to make a profit from them.

Dr. Tompkins Honored

† Dr. J. J. Tompkins, celebrated for his credit union and cooperative work among Nova Scotia fishermen, was awarded an honorary Master of Arts degree by Harvard University at its commencement this year.

Nova Scotia Supports Drive

Victory bonds to support the war effort of the British Empire are finding support in credit union circles. The Nova Scotia Credit Union League has already bought \$7,000 worth. Individual credit union members are being encouraged to borrow from their credit unions with the purpose of buying bonds.



She wanted to learn the ropes, so she came to CUNA. Miss Estelle Meastas, shown here with Roy F. Bergengren, was graduated in June from St. Scholastica Academy in Chicago; she is on her way back to Alamosa, Colorado, where she will be assistant

secretary and treasurer of the Sacred Heart Parish Credit Union. The parish priest, Father McCarthy, sent Estelle to Madison so that she could study each of CUNA's departments before settling down to credit union work.

A Cruise to the Southernmost Credit Union

By Harold Schroeder

† The skyline of Miami slowly merged into the distance, and its white towers hesitated a moment before they dipped into the horizon of turquoise blue—as if to wave one last farewell from the Credit Union National Convention of 1941. Now we were bound for Panama—and the southernmost Credit Union on the North American continent.

Travelling aboard the S.S. Sixaola, one of the United Fruit Company's Great White Fleet, we soon fell into the lazy routine of life on the fruit freighters which ply the tropic waters of the Caribbean. The hot sun of the tropics reduces most efforts to a minimum. We played many spirited games of deck tennis mentally, as we relaxed physically below a tarpaulin on the sun deck.

Our three and one-half days of relaxation were terminated, as our ship ran up the pilot flag off Cristobal on the Atlantic side of the Canal. The navy guard ship blinked back "Wait for Pilot." Soon we were safely within the inner harbor of Cristobal, the immigration officers examining our papers with the intent expressions of men doing a thing for the thousandth time. At long last, we were in Panama.

"Are you Harold Schroeder?" An official, dazzling in his white uniform, looked at me quizzically.

"I am."

"You're wanted on the deck by a gentleman of the Canal Zone Police," he replied, pointing at a dark-blue uniformed man looking up from the quay below.

Wanted by the police the moment I landed!—What to do three thousand miles from home?—A cold sweat broke out—then suddenly it dawned on me. . . .

Ten minutes later, Lieutenant Herman of the Canal Zone Police was driving us away from the pier to visit the Cristobal office of the Canal Zone Credit Union. Ray Shuey, treasurer of the Canal Zone Credit Union, made sure he'd get his guests from the States if he had to use a policeman to do it!

Strange as it seems, the Atlantic end of the Canal is west of the Pacific, so the Cristobal office is farther west than the Credit Union office in Panama. Rather proudly, Ray informed Mrs. Schroeder and myself that the

Canal Zone Credit Union was officially the southernmost credit union in North America, being only about 8 degrees of latitude north of the Equator.

The Cristobal office of the Credit Union is located in the only building in the Canal Zone not owned by the United States Government. By a special act of Congress, the building was deeded to the Masonic Order several years back. The Credit Union rents floor space on the ground floor to carry on its activities on the Atlantic side of the Canal Zone.

Here we found John Fahnestock, secretary of the organization, and several able assistants attending to routine tasks in their office. Suffice it to say, credit unions have identical problems everywhere.



Members make a traffic jam in front of the Canal Zone Credit Union

The next morning, bright and early, we left for Balboa, the Pacific terminus of the Canal. All the way to the railway station we drove on the wrong side of the street. Then we found out that the left side is the right side as far as Panamanians are concerned.

No picture-taking is permitted on the train ride across the isthmus. After a scenic trip through swamps, jungles, mountains, lakes, and hills, we arrived at our destination. Mr. Shuey, playing the good host, drove us to his home from the station at Balboa.

Here, as in most Canal Zone homes, the house is built on concrete posts about six feet off the ground. Stairways are located about three inches from the entrance sill. Termites are an ever-present hazard, and every effort is made to keep them from entering any wooden parts of the structure.

Beneath Shuey's home is located

the main office of the Canal Zone Credit Union with assets of more than \$350,000. It being impossible due to present Army regulations to rent space in any business establishment on the Pacific end of the Canal Zone, the enterprising treasurer brought his office home with him.

Screened in and surrounded by a low concrete wall, the space barely suffices to carry on the tremendous amount of business done yearly. Traffic jams on neighboring streets are not unusual when scores of members decide to descend en masse for loans or to pay deposit savings.

Leaving the main object of our visit behind, we boarded Shuey's cabin cruiser, the Lady Alice, and soon were knifing through the blue swells of the Pacific toward the island of Taboga about twelve miles out. Mrs. Shuey was the pilot, handling the helm most of the trip.

It was with regret that we finally left our hosts, the Shueys. Our stay was a pleasant one. As our ship cast away its hausers and headed out into the blue Caribbean, our friends waved their final adieu.

From Panama, our course took us north to Puerto Cortes in Honduras, where our ship docked to load bananas. Here beneath a sky so blue that it rivalled a scene on a cheap penny post card, thousands of bunches were hoisted aboard by the small, wiry stevedores.

Bananas grow but one bunch to a tree. To harvest the crop, each tree is slashed until the weight of the bunch topples it over. The bananas are caught gently in padded mats to avoid bruising. A short trip by mule brings them to the standard gauge railway which brings them to the loading docks. A new banana tree grows to maturity within a year. Bananas are cut while green and ripened after they arrive in the States.

With its hull full of fruity cargo, our steamer poked its prow once more into the blue of the tropical sea. And in a time too short, we were soon again in sight of Havana, Cuba. The pilot boat signaled. We heaved to. Our tropical odyssey was nearly over. "One hundred minutes" on the Miami Clipper and we were back in the U.S.R., with happy memories of our visit to the Credit Union at the gateway of two oceans.

This Is Al Sheeley

† "During the past year," wrote Al F. Sheeley in February, "I have enjoyed the privilege of speaking at fourteen chapter meetings throughout the State. I have been deeply impressed by the enthusiasm and sincerity of purpose of those in attendance at those meetings. Officers, directors and credit committeemen were eager and anxious to make sure that they were conducting the affairs of the credit union properly. With this type of spirit, the future looks bright for Wisconsin credit unions."

Another reason why the future looks bright for Wisconsin credit unions is Al F. Sheeley. Mr. Sheeley was president of the Wisconsin State League for the last two years; he is now a member of the Executive Committee of CUNA and his energetic tour of chapter meetings is only one example of the vigor with which he works for the credit union movement. He has said that credit unions are his hobby, but the word hardly expresses the intensity of thought and effort which he gives to them.

His record in the matter of liquidations is an example of what he will fight for and how he will fight. The State Banking Department was accustomed to order liquidations of faltering credit unions on its own responsibility and without reference to the League. Liquidations in 1939, the year in which Mr. Sheeley was elected president of the League, amounted to twenty-five.

As president, he opened a campaign to present the credit-union point of view to the Banking Department, and about the turn of the year he was rewarded with an agreement that the Department would consult the State League in each case before ordering liquidation. In the next year, 1940, liquidations were cut to a figure of nine.

The accounts payable department of Globe Union Mfg. Co., in Milwaukee, where Mr. Sheeley earns his keep, is a number of stone's throws from Sioux Falls, South Dakota, where he was born thirty-eight years ago. He has been working for Globe Union for eleven years now, is married and has a daughter in high school. It was in Milwaukee that he learned about credit unions; the year was 1934, and he had been called in to help establish an accounting system for the Globe Union Credit Union that was already under way.

In getting from the Sioux Falls of his infancy to the Milwaukee of his student days, he didn't stray too far

from a straight line. There was a move to Charles City, Iowa, where he went to high school; a pre-law course at Creighton University in Omaha; a year of law school at Marquette in Milwaukee. When he was unable to go on with law, he took a job as a night shipping clerk and studied accounting by day.

He joined his credit union in 1934, and in 1935 he was elected president. He was active; he was learning; regular attendance at Milwaukee County Chapter meetings helped, and Al Sheeley likes to think things out to their logical conclusions. He was elected chairman of the State League's Educational & Publicity Committee; he was elected president of the Milwaukee County Chapter. In 1939 he was made president of the State League, and now in 1941 he has been chosen a member of the Executive Committee of the National Association. He is still a member of the board of directors at Globe Union.

His earnestness, qualified by a droll sense of humor, sets him apart; he is a serious, convincing speaker. He handles meetings well, works well with committees, but when he finds himself alone in an opinion, he has the fortitude to stick to his guns until both sides understand each other. During his presidency, the League achieved 90 per cent membership in the State, and has pledged its full quota for the Filene Memorial Fund by September 1, 1941.

Mr. Sheeley believes in the credit union movement from every angle—social, moral and dollars-and-cents.

Cameras Turn at New York Meeting

† For the first time, motion pictures were taken of an annual League meeting when the New York State gathering took place at Lake Kiamasha. Flood lights and a humming camera gave the meeting some of its color, and the pictures taken will be shown at chapter and credit union meetings during the coming year. An effort was made to organize the films in a way that would give a clear impression of what a three-day convention is like.

Business meetings in which the entire delegation participated, panel discussion groups which delegates attended according to their interests, and recreation featured the occasion. Among the subjects covered by discussion groups were credit committees, legal problems confronting credit unions, credit exchange for open



A new member of the National Executive Committee, he leaves a bright record as president of the Wisconsin Credit Union League.

"You who are laboring in the credit union movement," he said in a greeting to the Seventh Annual Meeting of the Wisconsin Credit Union League, "are here because you have accepted the heritage of Filene. You have accepted the challenge of those who think we are idealists; who think that the philosophy we practise is pure theory and absolutely impractical. We have it within our power to prove that Edward A. Filene was right; that his philosophy of life can stand and has stood the acid test; that it is practical and not merely theory."

"We shall prove beyond a shadow of a doubt that to help our fellowmen is the true philosophy of life."

membership credit unions, educational committees and programs, THE BRIDGE and officers' credit unions.

President William Goldfine reported that as of May 31st New York State had 800 credit unions with 275,000 members and assets of \$27,000,000. Affiliated with the League are 548 credit unions, representing 71 per cent of the State's credit union members and 79 per cent of its share capital. Business accomplished included a dues reduction, adoption of a new budget and creation of a new Chapter for the Jamestown District.

Officers re-elected were William Goldfine, president; Otto Schuler, treasurer; Nat C. Helman, executive secretary; J. J. Ammering, 1st vice-president; M. G. Dugan, 2nd vice-president; T. J. Kelleher, 3d vice-president; William Reid and T. A. Mahoney, directors-at-large.

From THE MANAGING DIRECTOR'S DESK

♦ 1941 will rate a great year in the annals of CUNA!

We are, for example, just passing a hundred million dollars of coverage in the CUNA Mutual Insurance Society, a record-breaking performance for an insurance company organized just six years ago.

With 94 new credit unions reported for the first twenty-three days of our usually low month of July, making a present total of 9,731 credit unions in the United States, it is safe to assume that by the end of summer we shall have 10,000 credit unions in the United States.

Our bond coverage now totals close to \$12,000,000.

The CUNA Supply, increasing in business 52% last year, will make another splendid increase this year.



Roy F. Bergengren

The Organization and Education Department will announce two additions shortly to its staff and we have now 48 stars in our credit union banner—43 State Leagues, the Hawaiian League, the D. of C. League and Leagues in Nova Scotia, British Columbia and Ontario.

And very particularly, as I write this, the Filene Memorial total in the bank passes \$100,000, and there is a

national determination to bring the total to \$150,000 by September and to start building this fall. It is on this program that we are all concentrating this summer.

The slogan for the month—*Start Filene House in September!*

Permission has been granted to State-chartered credit unions to act as agencies for the issuance of defense bonds at this writing by the State supervisory departments of New York, New Jersey, Minnesota, Kentucky, Oregon, Missouri, and Oklahoma. Here is a great field for possible service which should be entered by every credit union which can do a real job as reflected by appreciable sales.

And don't forget—**START FILENE HOUSE IN SEPTEMBER!!**

Six per cent or 11 1/2?

♦ Advertising "6 per cent plans" of automobile financing took another one on the chin last month. A cease-and-desist order of the Federal Trade Commission against the Ford Motor Company was upheld by the United States Circuit Court in Cincinnati.

The court's unanimous opinion, delivered by Judge Hamilton, noted that the Ford Motor Company has advertised easy payments in such words as, "Ford announces \$25-a-month time payments and a new UCC 6 per cent finance plan." Evidence submitted before the court showed that the rates amounted to approximately 11 1/2 per cent annual interest on balance.

"A method inherently unfair," the court pronounced, "does not cease to be so because the falsity of the public representation has become so well known to those engaged in identical or similar enterprises as to no longer deceive them."

They Really Built It

♦ A stunt that netted eighteen dollars for the Filene Memorial is reported by Marie Turner of the Kansas City, Mo., Chapter. At a recent chapter meeting, two girls passed through the meeting selling little marble blocks. These were sold from hods which the girls carried over their shoulders, and you could get a brick for a dime, or a quarter, or half a dollar.

Each buyer autographed his purchase, and the bricks were collected and taken to the speakers' table. There, in view of the audience, a miniature Filene Memorial Building was constructed.



Let's Figure the Cost

(Answers on page 187)

1. John Q. Citizen was 3 months late in paying his income tax of \$42, and the state charged him 63 cents interest. What was the annual rate?

2. A radio was priced for cash at \$42.30. The payment plan as advertised was \$2 down and \$1 per week for 43 weeks. How much more would it cost when bought on the instalment plan?

3. Mr. Nelson could purchase 4 tons of coal for \$57, C. O. D., or he could pay \$41 down and \$10 per month for 4 months. How much more would it cost to extend payment over 4 months than to pay cash?

4. A remedial loan society made a loan to an electrical worker who gave a claim on his household furniture as security. Such loans are called "chattel loans." On this loan of \$240, to be repaid \$20 a month plus interest on unpaid balances, the charge was \$31.20. What was the annual rate and the monthly rate?

5. A Cincinnati railway switchman borrowed \$60, and agreed to pay one twelfth of the principal plus interest at 3 per cent a month on the balance remaining due in each month.

Assuming payments were made on schedule, what was the total interest in dollars and cents?

6. A set of automobile tires would be sold on the following terms: 10 per cent down payment, with 10 per cent of the balance added for carrying charge, the balance, plus carrying charge, to be paid in 10 equal weekly instalments. Compute the cost rate. (Note: for this purpose, use an actual list price, obtained from a dealer, a newspaper or a catalog.)

7. A 5 piece set of parlor furniture could be bought for cash at \$50; or on the instalment plan for \$54.50, with \$5 paid at the start and the remainder in 11 monthly payments of \$4.50. What was the annual cost rate?

8. The Kondishundare department store did not grant instalment credit, directly. However, a Morris Plan Bank maintained a branch office in the store, and a customer who wished to finance the purchase of a rug, could obtain \$92 toward the purchase by paying \$100 in twelve equal monthly instalments. What was the annual rate for credit obtained in this way?

Real Help to Borrowers

By JAMES W. BROWN

Treasurer, El Segundo (Calif.)
Standard Emp. C. U.



James W. Brown

♦ Our loans are classed under the two general headings of for provident and for constructive purposes. As a rule loans under the first classification need little study or critical analysis on the part of the credit committee, as when funds are needed in times of grief or misfortune, there is not much of a question.

However, the second classification covers a lot of territory, and the treasurer and credit committee come in contact with borrowers who have a desire for luxury buying at times ill advised and often a strain on their means to repay. This is especially true of the purchase of automobiles. I wonder at times if the credit union should not attempt to distinguish a little between sane purchase of transportation within the income of the borrower or what might be called just satisfying "new car fever."

All credit union treasurers who handle automobile loans can recognize the symptoms as soon as the borrower opens the door. It goes something like this:

"Jim, the old bus is still good transportation, but lately it has developed a lot of squeaks and I'll have to take it to the garage for a complete overhaul and buy rubber all around. Figure I had better buy a new car. The salesman let me drive that new sedan out by the curb to show you. I'd sure like to own her. Do you think the credit union can finance the buying?"

I look out the window, and the dazzling reflection of the glossy fenders almost blinds me. There is a natural temptation to make it possible for the borrower to own this shining thing of beauty. However, I have a sad recollection a few years ago of using exactly the same arguments and persuading myself to pay \$66.33 a month for 20 months and by the time I got the beautiful new car paid for, it had developed as many squeaks as my old car and the beautiful opalescent frosty green finish had turned into a dull, leaden gray.

This experience forced me to turn my eyes away from the glittering temptation on the curb and consider the hard facts of the loan. In the discussion with the borrower I pointed out that a loan of \$760 would mean a repayment of \$33 a month, plus interest for 20 months. That a large loan over a long period means a heavy interest charge. I asked if it would crowd him to pay this much and take care of his needs for food, clothes, fuel, amusements, etc., for himself and family. And also, with his credit tied up for 20 months, had he other means of protection for unforeseen emergencies such as sickness, accidents, new taxes, etc.? I stressed this last point, emphasizing that credit union membership is protective emergency credit insurance and that a loan of \$760 for an auto is in theory voiding the provident insurance policy for at least 15 months.

Two criticisms might come to mind on a treasurer's method of handling a loan application as outlined above.

First—That it is unwarranted paternalism. The borrower is supposed to be free, twenty-one and in his right mind. The credit union is not responsible for how the borrowed money is spent, and the borrower can decide himself what he wants to sacrifice to own the new car. You should tell him to go and buy the car of his dreams, and go joy riding. We only live once. Put his name on the dotted line of the note and mortgage and bring in the pink slip. That is all the credit union is interested in.

Second—You are taking the attitude of an alarmist—a defeatist. If hundreds of people would get that careful, cautious viewpoint, it would soon lead to business stagnation. We can't afford to take the attitude of constant fear of the future. The world is full of fast drivers, disease germs, war, floods and fires. We cannot provide for every emergency.

In answer to these criticisms: We do not want to discourage any member from buying cars and any other luxuries within reason, but we do recognize that our first and greatest obligation is emergency protection by the credit union when our member is in a tight place. And it may be difficult or an imposition on a generous credit committee to extend this helping hand when the borrower's credit is fully extended by an over amount of luxury buying. The need of exercising proper restraint is recognized all over the country. At the annual convention of the National Retail

Credit Association a warning was given: "We cannot in times like the present mortgage our future through uncontrolled installment purchases."

As to the charge of paternalism: Borrowers are human, very human. What are you going to do when you see one of them standing in front of you, looking like a big, overgrown boy, dazzled by a tempting bright toy, confused in his mind by a high pressure salesman? I have remained silent in the past, and when the new car did not come up to expectation or the plans for the large loan did not work out as expected, the borrowers in their bitter disappointment have shown an unreasonable resentment against the credit union, missed payments and protested of robbery when asked to pay 60 days' interest on \$600.00. A victimized borrower with a large loan balance is not apt to be much of a joy to a treasurer or the delinquent loan committee. On the other hand, I have been thanked by many prospective borrowers for presenting the viewpoint as given. Many of them confessed they had not given any thought as to the emergency protective insurance of credit union membership.

So—a little paternalism or "let the borrower beware!"

Coming Events

September 6, 7, 1941

Quarterly meeting, CUNA Executive Committee, Chicago, Illinois

September 9, 10, 11, 12, 1941

Volunteer Organizers Club, Waterloo, Iowa

September 27, 28, 1941

Midwest District Conference, Omaha, Nebraska

September 29, 1941

Midwest Managing Directors' Conference, Omaha, Nebraska.

October 7, 8, 9, 10, 1941

Volunteer Organizers Club, Atlanta, Georgia

October 14, 15, 16, 17, 1941

Volunteer Organizers Club, New Orleans, Louisiana.

January 17, 1942

Annual meeting, Virginia Credit Union League, Hotel Roanoke, Roanoke, Virginia.

January 24, 1942

Annual meeting, North Carolina Credit Union League, Hotel Sir Walter, Raleigh, North Carolina.

January 31, 1942

Annual meeting, New Jersey Credit Union League, Hotel Berkeley Carteret, Asbury Park, New Jersey.

March 21, 1942

Annual meeting, Connecticut Credit Union League, Hotel Bond, Hartford.

CUNA IN THE FIELD

C. F. Eikel, Jr. Southern Representative

Mississippi



C. F. Eikel, Jr.

♦ Mississippi has always been regarded as being very close to the bottom of our list of States insofar as the credit union movement is concerned. Perhaps the reason for this is due to the very small number of credit unions Mississippi has, even though the law giving the citizens of that State the right to form a credit union has been in existence since 1924. There are only 7 credit unions in the whole State using that law, and they are made up mainly of railroad and post office groups. Only after the Federal law was enacted were additional credit unions formed, so that today Mississippi has a grand total of 23 credit unions.

We outside the State give the reason for the lack of credit union growth as being lack of places to organize credit unions. Those who live in Mississippi give the reason as the lack of time devoted to Mississippi for organization work. I agree with the reason given by the Mississippians, because after several weeks working in the State it was clearly demonstrated to me that the groups are there to be formed if only the proper amount of time and effort can be devoted to their formation.

Mississippi is practically virgin territory for credit unions. It is something entirely new to vast majority of the people, and in some instances the impression was created that the plan was part of the National Defense Emergency and will last only for the duration of the present crisis. However, there are those who do know of the credit union, have been contacted before and agree that it is a very worth-while plan for their employees. Yet they have hesitated to allow the formation of a credit union, because they have been discouraged by the things they have been told about the Mississippi law: That heavy taxes are imposed upon the credit union, making it almost impossible to operate in an efficient manner, and also that because of the lack of supervision by the State Banking Department it

would be unwise to operate under the law.

If we have ever read the Mississippi law we will all agree that it isn't exactly to our liking, but for that matter neither are any of the other State and Federal laws exactly as we would like to have them. But because it isn't to our individual liking is certainly no reason why we should discourage the formation of a credit union under any of these laws. If we give the credit union service to people, vast numbers of people, the laws can be changed to suit our desires when the proper moment arrives.

And so with just more time devoted to Mississippi we should be able to develop an organization program which will pull Mississippi out of that "bottom" class. It may not progress as rapidly as we would want it, and it may be difficult in view of all the obstacles placed in our path, but it can and will be done.

Louisiana

We are having a little trouble again down in the Bayou country. It isn't anything really serious, but each time you think about it, it gives you a terrific throbbing in the head. It is the same trouble we had at exactly the same time last year, and if it ever occurs again, Louisiana will be noted for two annual events instead of one: First, the annual meeting of the League held in the early part of each year; and second, the annual event of selecting a new managing director for the League in the middle of the year. Yes, it is managing-director trouble again for Louisiana.

It all started this way. In January, 1939, the League decided to employ a full-time managing director. They did, and he was on the job until June, 1940. Then it was decided that both the League and the managing director had made a mistake. So the managing director tendered his resignation. The League did without a managing director for a few months, but having become accustomed to having a man in the field, they decided to put it off no longer. So on October 15, 1940, James A. Parker took over the duties as managing director for the League.

From October, 1940, until February, 1941, when the League held its annual meeting, Jimmie had done a very remarkable job. He was richly

rewarded for his efforts, and everyone had nothing but praise for him for the job he had done. Things were really looking bright. But unfortunately they forgot they had neighbors and no sound-proof walls. One of their neighbors, looking for a good managing director for their league, heard about this fellow Parker and they "scooped" him. And Mr. Parker, on the first day of September, will take over the duties of managing director of the Texas Credit Union League.

Louisiana is now in the same position it was in just one year ago. They are not discouraged, however, and intend to find another managing director as soon as they can. Our only hope is that this time they will find not only one who has the ability, but one who is also allergic to any other soil but that found in the State of Louisiana.

Texas

At first glance, it appeared that Texas had taken a backward step when in April, at the annual meeting of the League, it was decided to dispense with the services of their managing director and to handle all of the League activities through correspondence. This was only a temporary measure, however, and in the past few months they have really come a long way.

First, they opened up a League office in Houston. An efficient secretary was employed to handle all correspondence and, according to Bill Culbreath, Secty.-Treas. of the League, all correspondence received at the League office is answered within twenty-four hours. Bill says this service has made many friends for the League and likewise has brought in new credit unions as members of the League. Also, many inquiries have been made about credit union organization since the opening of the office.

The next step was to establish a supply depot in the League office. It was felt that by so doing, the League would be constantly before the credit unions throughout the entire State and in this way make for better relations between the credit unions and the League. And at the same time it would automatically bring new credit unions into the League.

The next important step taken was the decision to employ again a full time managing director. As has been mentioned elsewhere, Texas has employed the former managing director of the Louisiana League, Mr. James A. Parker, who will take over his duties on September 1st.

But by far the most important step

taken by the League was to improve the Texas Credit Union Law. Little use was made of this law for the organization of credit unions, even though it has been there to use since 1913. The reason given for not using the law was that it was unwise, since no supervision was given by the state authorities. But the amendment now provides for this supervision, not in the same sense as we know supervision, but for good, complete and thorough examinations once annually by the state authorities.

And so with all these important steps having been taken by the Texas League, we can certainly look forward to a very rapid advancement of the credit union movement within that State.

Reserves: Their Purpose And Utilization

(Continued from page 175)

net earnings would be available for other purposes. It is not consistent with the true spirit of cooperation to use these funds for an increase of dividends. Instead, a lowering of the interest rate charged to borrowers might be considered. Such a step might prove a stimulus to borrowers so that they might make better use of their institution. On the other hand the funds thus freed might better be used for educational or organizational purposes.

III. Conclusion

The general conclusions drawn from the combined balance sheet figures should not mislead the individual credit union in setting up its reserve at the end of the business year.

Therefore three generalizations may be ventured as a guide in the formulation of the reserve policy of credit unions.

The nature of the reserve should be clearly understood on the basis of the particular law under which the individual credit union operates. It should be understood by the board of directors what purpose the reserve serves, what losses it is supposed to cover, and whether there might be other losses expected which are not covered by the reserve—whether it might even be necessary to set up an additional reserve to make provision for the coverage of these losses. On this basis the board of directors should be aware that it is impractical to transfer to the reserve more than the prescribed minimum, unless the actual situation does warrant it. For once an amount is credited to the reserve account, it may not be used for other purposes than those prescribed in the law. The much more flexible undivided-profits

(or surplus) account should therefore be used for these purposes. It serves as a safety cushion and insures steady dividends. In the Federal Credit Unions it now serves as a reservoir for the new "special reserve" for delinquent loans.

The second consideration concerns the bearing of reserves on the lending policy. The past record of the credit unions as a whole shows that the reserves usually were large enough to cover the losses even in depression years. And there seems to be no reason for over-anxiety and fear of a future business recession. The reserve makes possible liberality of operating practice and should encourage the credit committee to decide all close cases in favor of the borrower, but only if the reserve of the credit union is really strong enough to cover future losses.

The reserve provisions should on the other hand not give the credit union a false sense of security so that the institution blindly transfers merely the prescribed percentage to the reserve without examining the outstanding loans and their quality. How differently various statutes work out has already been shown in the beginning of this article. It is therefore necessary to find out whether in the

Let's Figure The Cost

(Answers from page 184)

1. 6%
2. \$2.70
3. \$4.00
4. 24% a year
5. \$11.70
6. 94.5 plus %
7. 20%
8. 16.1—%

Problems and answers taken from "One Hundred Problems in Consumer Credit."

particular case the statutory reserve is sufficient to cover the losses it is supposed to cover. The examination of loans is required by many supervisory agencies, but of the three statutes mentioned only the New York law and the Federal regulation require a valuation of the loans on the basis of delinquency by the credit union itself. This principle is in accordance with sound accounting, and only in this way can a credit union find out whether its reserve is sufficient to cover possible losses.



TO CREDIT UNIONS THAT FINANCE AUTOMOBILE

AVOID THE PITFALLS OF AUTOMOBILE FINANCING by having accurate and dependable information regarding automobile values.

DISCHARGE YOUR RESPONSIBILITY to your members by using the same service that thousands of automobile dealers and finance companies use—

THE AUTOMOBILE DEALER'S

Market Record

Here's our special trial offer for you.

At your request we will send you a copy of the current issue of MARKET RECORD for your territory. Examine it carefully. See how much useful information it contains. Then send us your check for \$7.00 and we'll see that MARKET RECORD comes to you every 30 days for a year. If you don't think that the service will be helpful after examining the first copy, return it and there will be no charge.

Each issue contains

Retail
Wholesale } Values
Loan

•Published every THIRTY DAYS for each trade area.

•There's no other service like it.

The Market Record, Inc.
20 North Wacker Drive
Chicago, Illinois

Please send us a copy of the current issue of MARKET RECORD for our territory in accordance with your offer appearing in the July issue of The Bridge.

Name of Credit Union _____

By _____

Street Address _____

City and State _____

Federal Section

By
Howard
Mace,
Editor
Cooperative Saving



★ On June 26, the seventh anniversary of the passage of the Federal Credit Union Act, 4,570 Federal credit unions had been granted charters. Almost every day sees one or two more added to the growing list. On one recent banner chartering day five Federal credit unions which have a combined field of membership of 15,078 were among those chartered. With an average field of membership of 3,015 these groups join the increasing number of organizations which are bringing the advantages of credit union membership to large bodies of American citizens.

Industrial Employers Speak Up

After seven years of operation it has been evident to the officials of the Credit Union Section that a large number of industrial leaders have found that credit unions are worth supporting. Because of this, employers have given credit unions a great deal of encouragement and assistance in a multitude of ways. But just how valuable employers in general felt credit unions were to their companies no one really knew. When asked why a company should give approval and assistance to the organization of credit unions on its premises, we could not give a positive answer.

In order to advise employers of prospective credit-union groups the Credit Union Section has corresponded on the matter with officials of companies which have Federal credit unions serving their employees. The replies to 185 of these inquiries have been compiled, with analyses of the comments and judgments expressed, in a pamphlet called *Management Appraises the Credit Union*, which will soon be ready for distribution.

Some of the facts disclosed by this study are particularly interesting. For instance, 81 percent of the employers replying felt that credit unions had built up employee morale, and 66 percent felt that employer-employee relationships had been improved. As many as 34 percent even thought that the employee had been given a better understanding and appreciation of the company's problems and viewpoint. Free office space was given to 81 per-

cent of these credit unions, while some company time in which to do credit-union work was given to 42 percent.

Selling Defense Stamps

Defense Postal Savings Stamps may be handled by Federal credit unions through the use of change funds, according to a recent ruling of the Farm Credit Administration. This will enable those Federal credit unions not able to qualify for the sale of Defense Bonds to do their bit for the Defense Program. It will also enable those credit unions which handle bonds to increase the field of their service to members and the public unable to buy bonds outright.

The use of change funds will make the handling and accounting work in connection with the sale of the stamps very simple. No special accounts need be kept. The change fund approved by the Section must merely contain the required amount of cash or its equivalent in cash and stamps. If the credit union has no change fund, or requires a larger one to handle the stamps, it should, of course, write the Section and obtain the necessary by-law amendment procedure.

House Makes Study

The effect of certain phases of the National Defense Program upon credit unions is the subject of a study by the House Committee on National Defense Migration. Certain Federal credit unions in defense industries are being asked to cooperate in furnishing statistics for the Committee's study. Two operating periods—June 1939 to June 1940 and June 1940 to June 1941—are being compared as to the number of new accounts, the number of loans made, the average size of the loans made, and the trend of the size of loans made.

By-Law Revision Plans

In the near future the Farm Credit Administration plans to give all Federal credit unions the opportunity of revising their standard by-laws, if they so desire, as follows:

- (1) The terms of office for supervisory committee members may be staggered and may be set for a two-year period;

- (2) Fines for delinquent loans may be assessed on a simplified basis.

The fines amendment will provide that any member failing to pay a loan instalment within one week of the due date shall, unless excused for cause, pay a fine computed at the rate not to exceed one cent per month on each \$5 of the unpaid balance of the loan, with a minimum of 5 cents.

Although the fine provisions may offhand appear complicated, for practical purposes the fine is easily and readily computed by merely taking one-fifth of the interest which accrues on the loan while it is delinquent. The fine has the advantage of furnishing a larger penalty during the early life of the loan, which should prove helpful in disciplining borrowers into forming the habit of making prompt payments on loans.

New Bills Introduced

Several amendments to the Federal Credit Union Act, designed to facilitate the operations of Federal credit unions, are now pending in Congress.

Senate Bill S-1547 is intended to provide for several improvements in the administration of the Act. Notable provisions are the following: Increased authority to the Governor of the Farm Credit Administration to engage in educational activities; provision to declare dividends on shares fully paid up on or before the fifth day of the month; permission for the declaration of patronage dividends to borrowers after at least 3 percent has been paid to shareholders; the definition of "passbook" to allow for the use of special bookkeeping methods developed to fit special credit-union needs; and a provision for extra supervisory protection to credit union members.

House Bill H.R.-4691 would allow Federal credit unions to invest funds in shares or accounts of building and loan associations, State as well as Federal, if the shares or accounts in which the credit union invests its funds are insured by the Federal Savings and Loan Insurance Corporation.

Another pending bill, H.R.-4977, would make credit unions subject to social security taxes, requiring them to pay both the social security old age pension tax and, where applicable, the state unemployment compensation assessments approved by the Social Security Board.

House Bill H.R.-4978 has two provisions: (1) It would permit any Federal credit union, by resolution of its board of directors, to "waive the payment of interest during the period of military service on loans to all mem-

bers who are entitled to the benefits granted under the Soldiers' and Sailors' Civil Relief Act of 1940 and (2) it would extend the provisions of the Act to include the Panama Canal Zone.

Winter Coal Campaign

The aid of all credit unions is sought by the Federal Government in connection with the Administration's efforts to impress upon consumers of bituminous coal the importance of buying and taking delivery of their winter supply this summer as a direct and substantial contribution to the National Defense Program.

The "buy your winter's coal now" campaign, directed primarily toward domestic consumers, has several purposes. In the first place, it seeks to encourage present buying and storing of coal in order to lighten the peak load which the movement of crops and defense materials will throw upon the nation's transportation system beginning next September. It is also designed to alleviate the increasing demands for coal by industrial plants engaged in defense production which are forecast for this fall, demands which may result in coal shortages unless domestic purchases are notably increased during the summer months.

Buying coal now will enable credit union members to make substantial savings because summer prices are substantially lower than fall or winter prices. Therefore, by encouraging present purchases of coal, credit unions will be encouraging their members to make substantial savings on their fuel bills.

Defense Bond Statistics

By the end of the month of June, 129 Federal credit unions had answered Uncle Sam's call for aid and had qualified as issuing agents in the sale of United States Defense Savings Bonds and Stamps to their members and to the public.

With regard to statistics on the nationwide sale of the bonds and stamps, the Treasury Department reported that the total volume of bond sales reached a weekly rate of \$75,009,000 for the first week in June, while the sales of the stamps for the same week totaled \$747,000. Treasury officials estimate that the total volume of the bond sales through the end of June reached a figure near the \$750,000,000 mark. This estimate is based upon the fact that the total sales at the end of mid-June stood at \$667,378,000, with the weekly average well over \$50,000,000.

Informed credit unionists read *THE BRIDGE* regularly.

The Cuna Mutual BULLETIN BOARD

CUNA Mutual offers *The Life Savings Plan*

To encourage regular,
systematic savings by
Credit Union Members



"Marching along together—"

**Increased Savings Means
Increased Life Insurance
under this plan.**

Available to State Chartered Credit Unions
using the AA Plan for Loan Protection

Both Credit Union and Members benefit by steadily
increased and stabilized share balances.

Write for complete information
to

CUNA MUTUAL INSURANCE SOCIETY
MADISON, WISCONSIN



Joins Bridge Staff

♦ Richard Giles, who joins the staff of *THE BRIDGE* as associate editor with this issue, is red-headed, wears glasses and has been covering the co-operative movement on and off for five years as a reporter for a business publication.

He is a native New Yorker, graduated from Columbia in 1934, is married, types with four fingers, likes mountains and sailing and blues singers.

He believes that human progress depends on things like the credit union movement; that the world needs to know that there are peaceful, democratic, unmythical ways of tackling economic problems; that educational activity has to be added to economic activity in order to keep clearly in view both the means and the end. He believes that *THE BRIDGE* can serve a great purpose, both for credit unionists and for the world, and that three million credit unionists deserve something pretty fine in the way of a magazine.

FLASH!

Filene Memorial Passes \$100,000!

● Just as we go to press, July 25, total receipts in hand from all sources at the home office have passed \$100,000. This does not include any pledges, nor does it include any money collected in any State and not as yet turned in. The total is simply cash on hand at Raiffeisen House plus net profits from sales of pictures to date made from Raiffeisen House.

Calling All Founders

♦ A new call to a most important service has gone out to all the 637 members of the Founders' Club. I strongly urge every member of the Club to respond affirmatively as this is our one greatest opportunity to prove in most concrete fashion the value of the Club to the credit union movement.

The Filene Memorial Picture sells for \$10. Each sale shows a profit of \$8 to the Filene Memorial. If we can sell 2000 of them between now and September 6, the total profit to the memorial will be \$16,000 and we shall then be able to start building Filene House this fall. The picture sells very easily. On the circularization, without any follow-up, we are selling about 10 a day to a total of better than 150 within ten days of the circularization. Just these sales show a profit to the Fund of \$1200. I recently took 10 of the pictures to a meeting attended by representatives from 11 credit unions. I sold the 10 pictures in about 10 minutes. The Filene Memorial Picture is easy to sell. All that we need is enough salesmen.

We have therefore asked each member of the Founders' Club to undertake to sell three pictures, one to his credit union, one to the credit union he organized and one other. We hope

that each member will sell many more than his quota of three, and we have therefore offered a modest silver cup which, properly marked, will be presented to the Club member who sells the most pictures over and above his quota of three. We have enclosed with our letters postcards so that any members who are willing to help will so notify us, by signing and mailing the card. Then, because it is much easier to sell a picture when the salesman has one under his arm and can make immediate delivery, we shall send three pictures on consignment to each member who sends in a card. As he needs more pictures we will send them, and he will, of course, return any he cannot sell.

In future years it is going to be a great honor for a credit union to have one of these pictures adorning its walls. It will mean that that credit union helped build Filene House.

I most strongly urge all Founders' Club members to join in this effort. Time is the most important element in the Filene Memorial. Now, this August of 1941, is the time to get this job done.

I'll be looking for your card,

Fraternally,

ROY F. BERGENGREN,
FOUNDER.

Twenty-Seven Members

(Continued from page 172)

than the twenty-five cents, and he has always taken his dividend in cash. He has saved one hundred and fifteen dollars.

We believe that with our 25 active members, we have perhaps the smallest credit union in the United States. We are admittedly hindered from rendering many services we should like to render. Watch, though, when a new employee comes to work here. On every hand he is beset by enthusiastic credit unionists until he hasn't a chance—inside of a week he has become welded into the credit union and is saving with one hand and talking with the other. You couldn't blow him out of the thing with a typhoon.

The next time anyone comes to you with bags under his eyes and says, "It won't work. We don't have enough members—small credit unions are not practical—you gotta have numbers to get places," you just unwind one of those corn-belt grins in his face and say:

"Buddy, I can tell that you have never been in Ames, Iowa!"

Daughter for Louise McCarren

♦ Louise McCarren, managing director of the Ohio League, who in private life is Mrs. Arthur Herring, has just become the mother of a fine girl. This latest addition to the family of credit unionists goes by the name of Julia Carren Herring.

Parker Goes to Texas

♦ The resignation of Jimmy Parker as managing director of the Louisiana Credit Union League becomes effective on August 30th. He leaves Louisiana after eleven months' service to become managing director of the Texas Credit Union League.

Although born in Mississippi, Jimmy Parker had been a resident of New Orleans for the last nineteen years. It was while working for the Continental Can Company as accountant that his interest in credit unions was aroused. He was chairman of the Contican NOLA Credit Union's supervisory committee when appointed managing director for the State.

A successor was being sought as this issue went to press.

It Pays to Advertise!

Are you keeping your Members informed as to the many services the Credit Union renders? *We have 25 Credit Union Posters*, all in brilliant colors, each poster 10½ x 14 inches and each one illustrating some particular phase of credit union service.

They sell for 5 cents each, with 20% off to Member Credit Unions.

Buy the complete set of 25. It will only cost \$1.25 (less 20% to member Credit Unions) and you will have then ample display material to last for months. You are then in position to use the poster which is most timely month by month. Here is the variety offered.

Poster Number	Title
601—	"He's Going Places with the Help of his Credit Union"
602—	"It's Easy to get Ahead—Use your Credit Union"
603—	"Save for that 'Rainy Day' "
604—	"Join your Credit Union—Borrow When you Need Money"
605—	"Your Vacation this Summer—Go the Credit Union Way"
606—	"Get Your Winter Coal the Credit Union Way"
607—	"Pay Cash and Save Money"
608—	"Boy! What a Relief—Free from Debt Worries"
609—	"Pay Doctor Bills the Credit Union Way"
610—	"New Car—the Credit Union Way"
611—	"Xmas Shop the Credit Union Way"
612—	"Get Your Easter Outfit the Credit Union Way"
613—	"Credit Union Ownership—By and for Members"
614—	"School Days"
615—	"There's no Trick to Thrift"
616—	"Tackle any Financial Problem through your Credit Union"
617—	"Credit Union Shares are Double Duty Dollars"
618—	"Start Now to Plan your Vacation"
619—	"For Your Personal Defense—Save Regularly"
620—	"Your Credit Union—Fertile Soil"
621—	"Cooperation—Each One Working Together"
623—	"I'm Joining—the Credit Union"
624—	"Chart a True Course to Security"
625—	"Buy United States Savings Bonds"
626—	"You Can't Buy Yesterday"

622 is in production

You will note posters for all seasons and illustrating all phases of credit union service. *Posters constitute the cheapest and the most effective advertising.*

Poster 600 is a Sample, showing 10 posters in reduced size; may be had free on application.

**5 cents each less 20% discount to
Member Credit Unions**

**FROM YOUR STATE LEAGUE IF IT DISTRIBUTES
CREDIT UNION ACCOUNTING FORMS**

or

CUNA SUPPLY COOPERATIVE

Madison,

Wisconsin

Buy UNITED STATES
SAVINGS BONDS
and STAMPS
for Defense
THRU YOUR OWN



Out of
 each pay
 put some
 away!

CREDIT UNION

